

Message Text

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70 61

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 OMB-01 TRSE-00 SP-02

AID-05 NSC-05 RSC-01 CIEP-01 SS-15 STR-01 CEA-01

CIAE-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 H-01 L-02 AGR-05 SWF-01 /071 W

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R 171745Z DEC 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8865

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E.O. 11652: N/A

TAGS: ETRD, EFIN, CS

SUBJECT: CHANGES IN THE EXPORT TAX

REF: SAN JOSE A-151, DECEMBER 10, 1974

1. IN A RECENT CONVERSATION THE DIRECTOR GENERAL OF THE TAXATION DEPARTMENT OF THE MINISTRY OF FINANCE DESCRIBED A PROPOSAL WHICH HIS OFFICE IS MAKING TO MODIFY THE CURRENT EXPORT TAX EARLY IN 1975. WHILE THERE IS NO CERTAINTY THAT THIS PROPOSAL WILL BE ADOPTED, IT IS LIKELY THAT MOST EXPORT TAXES WILL BE LOWERED OR ELIMINATED EARLY NEXT YEAR.

2. THE PROPOSAL CALLS FOR THE COMPLETE REMOVAL OF THE 7 PERCENT TAX ON EXPORTS TO THE COMMON MARKET (AND POSSIBLY ALSO TO THIRD COUNTRIES). IT IS CALCULATED THAT THE FOREGONE REVENUE WILL BE MADE UP BY GREATER PROCEEDS FROM THE SALES TAX WHICH ARE EXPECTED TO COME FROM A MODIFICATION OF THE CURRENT SALES TAX MECHANISM TO A VALUE ADDED SYSTEM (SEE REFTTEL).

3. THE PROPOSAL ALSO CALLS FOR A MODIFICATION OF THE CURRENT EXPORT TAX ON COFFEE, MEAT, SUGAR AND CACAO (BANANAS WOULD CONTINUE TO BE SUBJECT TO SEPARATE TREATMENT DETERMINED BY LIMITED OFFICIAL USE

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NEGOTIATION WITH THE U.S. COMPANIES). UNDER THE PROPOSED

SYSTEM A BASE PRICE FOR THE LISTED COMMODITIES WOULD BE ESTABLISHED. THIS PRICE WOULD BE ASSUMED TO CONSIST OF THE "AVERAGE INTERNATIONAL PRICE" INCLUDING A "NORMAL" PROFIT MARGIN. THE TAX WOULD BE ASSESSED ONLY WHEN EXPORT PRICES RISE ABOVE THE BASE LEVEL AND IT WOULD BE ASSESSED ON THE EXCESS ACCORDING TO THE FOLLOWING FORMULA:

PERCENT EXCESS ABOVE BASE PRICE	PERCENT TAX ON EXCESS
51.59 10 PERCENT	10 PERCENT
10 TO 20	25
20 TO 30	50
OVER 30	70

4. COMMENT. GIVEN FOREFEASIBLE WORLD MARKET CONDITIONS FOR THE IMMEDIATE FUTURE, AT LEAST, IT SEEMS AS IF THE BULK OF REVENUE GENERATED UNDER THE NEW SYSTEM, SHOULD IT BE ADOPTED, WOULD COME FROM EXPECTED HIGH PRICES FOR SUGAR SALES. THE OTHER PRODUCTS WOULD PRESUMABLY BE SUBJECT TO LITTLE OR NO TAX AT CURRENT PRICES.

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Message Attributes

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